



**WISCONSIN DEPARTMENT OF
ADMINISTRATION**

SCOTT WALKER
GOVERNOR

MIKE HUEBSCH
SECRETARY

Division of Executive Budget and Finance
Post Office Box 7864
Madison, WI 53707-7864
Voice (608) 266-1736
Fax (608) 267-0372
TTY (608) 267-9629

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To: Mike Huebsch
Secretary of Administration

From: Brian Hayes
State Budget Director

Subject: Impact of Medicaid Appropriation Shortfall

As you are aware, the Medicaid program is estimated to be \$153 million GPR short of estimated expenditures in fiscal year 2010-11 (the current fiscal year). On an all funds basis, the shortfall totals \$437 million. The budget repair bill includes an increase in funding for the Medicaid appropriation to address this shortfall. In the absence of legislative action to increase the GPR appropriation for Medicaid, the program will run out of funding by mid-May. At that point, the state will no longer be able to pay providers or vendors.

Some providers are heavily reliant on Medicaid payments, particularly nursing homes. As such, plans may need to be made to respond to this situation by beginning to delay payments earlier than mid-May for certain providers and vendors. Any late payments will also begin to accrue interest charges after 30 days. Furthermore, the federal government has prompt payment requirements in the Medicaid program that may result in legal or other action.

The state would be able to begin making payments again in the next fiscal year (July 1, 2011). The delayed payments would have to be incorporated into estimates of the overall Medicaid appropriation for fiscal years 2011-12 and 2012-13.

Please let me know if you have any questions.